

## **Guidance for Verification Reporting and Recordkeeping Requirements**

### **Purpose:**

This instruction sets forth the policy to provide guidance for reporting verification and the verification recordkeeping requirement. The intent of the guidance is to facilitate completion of the required reports.

### **Scope:**

Sponsors participating in the School Breakfast Program (SBP) and/or National School Lunch Program (NSLP).

### **Description:**

The guidance on the following pages is intended to address the reporting and recordkeeping requirement and does not address the details of how verification itself must be performed. For the existing verification process, please refer to the Eligibility Guidance for School Meals and to 7 C.F.R. 245.

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## **GUIDANCE FOR VERIFICATION REPORTING AND RECORDKEEPING REQUIREMENTS**

Spring 2004

### **Introduction**

Several data sources, including information on free and reduced-price eligibility status changed as a result of verification, indicate that there is a significant problem with inaccurate certifications for free and reduced-price meal benefits in the National School Lunch Program (NSLP). In addition to school meal benefits being misdirected, certification errors also have a significant impact on the targeting of Federal, State and local education-related benefits. In school year 2001-2002, around \$5 billion was provided for free and reduced-price meals, while more than \$15 billion in education-related benefits were allocated using the free and reduced-price eligibility data. Therefore, it is imperative that both State Agencies and FNS make every effort to validate the accuracy of eligibility determinations.

On September 11, 2003, a final rule entitled “Determining Eligibility for Free and Reduced-price Meals in Schools - Verification Reporting and Recordkeeping Requirements” was published. This rule requires school food authorities (SFAs) to report their verification activity and results to their respective State Agencies. Additionally, beginning in school year 2004-2005, State Agencies must report the SFA level data to the Food and Nutrition Service (FNS). Submission of this data on a SFA basis will enable State Agencies and FNS to better understand certification errors and to improve oversight activities. This will help ensure that free and reduced-price subsidized meals are provided only to eligible children.

Implementation of the data element that would require reporting the number of students whose benefits were terminated, but who were subsequently re-approved for free or reduced-price meals by February 15, has been delayed by FNS for one year. In addition, collection and reporting of this data element beginning in school year 2005-2006 is contingent upon new funding for this effort.

### **Questions and Answers**

#### **Question 1: What is verification for the school meals programs?**

**Answer:** As defined in the Eligibility Guidance for School Meals Manual, verification is confirmation of eligibility for free and reduced-price meals under the NSLP and the School Breakfast Program (SBP). Verification must include either confirmation of income eligibility or confirmation that the child is included in a household currently certified to receive Food Stamps, FDPIR or TANF benefits, and may include confirmation of any other information required in the application.

#### **Question 2: Is it necessary to impose a verification reporting burden on SFAs/ State Agencies?**

**Answer:** State Agencies are required to perform program oversight, corrective action, and technical assistance as needed to ensure that SFAs are implementing the school meals programs in accordance with the laws and regulations. Verification reporting will provide State Agencies and FNS with information on the results of the verification process in order to focus and target oversight, corrective action, and technical assistance activities in the area of certification accuracy.

### **Question 3: How do State Agencies report verification information?**

**Answer:** State Agencies will submit a consolidated electronic file to FNS that transmits the required verification information for each SFA under its administration.

**A.** FNS will provide application software, which State Agencies will be required to use to transmit a consolidated electronic file with each SFA's verification information, to FNS by April 15 of each year.

**B.** The software will allow State Agencies to enter SFA data directly or to import it electronically from a file that is formatted to specifications that will be provided by FNS.

**C.** The software will perform edit checks for internal consistency of the data reported for each SFA, and will provide error reports for SFA records which do not meet the required edit criteria.

Each State Agency will analyze this data, determine if there are potential problems, and formulate corrective actions and technical assistance activities that will support the objective of certifying only those children eligible for free or reduced-price meals. The availability of this information at the State level will permit State Agencies to target more rigorous oversight activities to school food authorities whose verification activities result in a high termination rate.

The State Agency must report to FNS, no later than April 15 of each year, each SFA's verification information as discussed in question #5 along with any ameliorative actions (see questions #10, d and e) the State Agency has taken or intends to take in school food authorities with high levels of applications changed or terminated as a result of verification.

### **Question 4: How do SFAs report verification information?**

**Answer:** FNS is not requiring any specific form be used by SFAs to report to their State Agency. A FNS prototype reporting format (FNS-742) was provided via e-mail on April 15, 2004; this form will also be posted on the FNS website. This form defines the data elements that must be reported by each SFA. A State Agency may use the prototype form, develop its own form, or provide for electronic reporting by SFAs through new or existing State reporting systems.

In addition to the mandatory software application that State Agencies will use to report to FNS, we will also be providing software that can be used on an optional basis by SFAs to compile their verification data reports for submission to the State Agencies.

No later than March 1, 2005, and by March 1st each year thereafter, each SFA must report information related to its annual verification activity to the State Agency in accordance with the guidelines provided by FNS. School food authorities are encouraged to collect and report any or all verification data elements before the required dates.

**Question 5: What are the required data elements that need to be collected and submitted to State Agencies from the SFAs for each reporting year?**

**Answer:** The information that must be collected and reported by each SFA includes:

- the type of free/reduced-price meal benefits application used (individual student, household, or both);
- the total number of schools and total enrollment for all NSLP schools;
- the number of schools which are operating under Provision 2/3 in a non-base year, and the total enrollment in these schools;
- the number of children approved for free and reduced-price meal benefits who are not subject to verification, including children approved by direct certification;
- the number of children approved for free meal benefits based on a food stamp/TANF/FDPIR case number submitted on an application (categorically eligible), and the number of these applications;
- the number of children approved for free meal benefits based on income/household size information submitted on an application (income eligible), and the number of these applications;
- the number of children approved for reduced-price meal benefits and the number of reduced-price eligible applications;
- the method of verification sample selection (focused, random, all);
- a summary of the results of the verification process for all applications selected for verification, including the number of students whose eligibility for benefits did not change, the number whose eligibility was reduced or terminated based on the household response to verification, the number whose household did not

respond to verification, and the number of applications in each of these categories;

- the number of students found ineligible as a result of verification who were reinstated for free or reduced-price meal benefits, as of February 15 of each year\*.

\*Note: The final data element will not be required until the 2005-2006 school year, and the requirement to report this element will not be implemented unless Congress provides additional funding to support collection of this additional data element. In addition, §245.6a(c) requires school food authorities to retain copies of the information reported and all supporting documents.

**Question 6: Where can I find the forms needed to submit our SFAs verification information?**

**Answer:** A copy of the prototype verification form, including the definition of the required data elements, is available for download from the FNS website: [www.fns.usda.gov/cnd](http://www.fns.usda.gov/cnd). A PowerPoint presentation explaining the new verification reporting requirements, which can be used for training SFA personnel, will soon be available on the FNS website. We are still in the process of finalizing the method of distribution for the software applications; we anticipate that they will be made available for download through the web. The software will be available for distribution by July 2004.

**Question 7: What information regarding the verification process should be kept?**

**Answer:** All verified applications must be readily retrievable on an individual school basis and include all documents submitted by the household for the purpose of confirming eligibility, reproductions of those documents, or annotations made by the determining official which indicate which documents were submitted by the household and the date of submission. All relevant correspondence between the households selected for verification and the school or SFA must be retained.

**Question 8: How do these new requirements affect households with students who are eligible for free or reduced-priced meals? Will there be adverse affects?**

**Answer:** These reporting and recordkeeping requirements do not change existing certification and verification requirements, and should not change the

way that SFAs interact with families applying for benefits. The rule merely requires reporting and State Agency analysis of information, related to existing certification and verification requirements. It is important that SFAs and State Agencies continue to do as much as possible to ensure that eligible children are not inadvertently hindered from receiving their appropriate level of benefits.

**The rule requires that each State Agency analyze the verification data, determine if there are potential problems, specifically a “high termination rate” and formulate “rigorous oversight activities” to support the objective of certifying only those children eligible for free or reduced-price meals. It also requires State Agencies to report any “ameliorative actions” the State Agency has taken or intends to take in those school food authorities with high numbers of applications changed due to verification activities.**

**Question 9a: How is high termination rate defined?**

**Answer:** The termination rate is the percentage of verified applications and/or the percentage of students included on verified applications whose eligibility for free or reduced-price meal benefits is not confirmed through the verification process. Since one of the purposes of this information collection is to allow FNS to better understand and analyze the certification and verification process at the SFA level, at this time we are not establishing a specific level or threshold termination rate that would require either the SFA or the State Agency to take action. Rather, the State Agency needs to develop a basis for triggering additional actions as part of its prudent program oversight. Each State Agency is expected to evaluate both the absolute and the relative (as compared to other, similar SFAs in the State) termination rates for the SFAs under its jurisdiction. State Agencies may require that an SFA take action if its termination rate is:

- high as defined by or determined by the State Agency;
- high in comparison to similar SFAs, and;
- high within a particular type of application (for example, households with income that was very close to the maximum limit).

In order to assist State Agencies in beginning this analysis, the software, provided by FNS, will also include several output reports that will provide the State Agency with summary information on the results of verification activities for the State as a whole and for each reporting SFA.

State Agencies must include their criteria for identifying SFAs needing further assessment in the report to FNS, which is discussed below in 9e.

**Question 9b: What are rigorous oversight activities?**

**Answer:** Rigorous oversight activities can include technical assistance activities such as on-site training by the State Agency, reanalysis of previous CRE results to determine the extent of problems, rescheduling CREs to expedite careful appraisal of the SFA's certification process, or development of an improvement strategy with the SFA to address certification and verification problems.

**Question 9c: Why should high termination rates trigger more rigorous oversight activities?**

**Answer:** A high rate of terminations resulting from verification activities is one indicator that there could be an underlying problem with the SFAs certification actions such as a need for making additional foreign language materials available or the need to use direct certification more fully.

**Question 9d: What are ameliorative actions?**

**Answer:** Ameliorative actions are those efforts undertaken by the State Agency in SFAs where there were high termination rates, such as additional technical assistance, or corrective action steps. The determination of what constitutes appropriate ameliorative actions is made by the State Agency based on factors developed by the State Agency such as a statewide comparison. The corrective action and technical assistance required by this rulemaking is not directed toward the verification termination rate per se, but rather toward other issues, such as ensuring that school food authorities are using direct certification to its fullest, providing appropriate translations for any large non-English speaking populations, providing appropriate follow-up to households when there is no response to a verification request, and/or addressing defective certification or verification practices and procedures. FNS wants State Agencies to have flexibility in this area to determine the best use of their limited resources.

**Question 9e: How should ameliorative actions be reported to FNS?**

**Answer:** In addition to the consolidated electronic file of the required data elements reported by each SFA. State Agencies will provide a separate text report on the number of SFAs determined by the State Agency to have high

rates of benefit changes or terminations due to verification, as well as a summary of causes of the high change rates and the action(s) taken to address the problem. The State Agency should include:

- how many SFAs were identified as having a high change/termination rate;
- what criteria were used to make this determination;
- what efforts have and will be undertaken to address these issues; and,
- identify any services that FNS could provide in helping address these issues.

**SOURCE:** USDA, FOOD AND NUTRITION PROGRAM, DATED JUNE 4, 2004.